

Fact Sheet

Module 9—Earned Income Credit

A tax credit is a dollar-for-dollar reduction of the tax. A refundable tax credit is a tax credit that permits a refund of the amount of the credit that exceeds the amount of the tax. The earned income credit is a refundable tax credit for certain people who work and whose earned income and adjusted gross income are under a specified limit. Many rules apply to the earned income credit. The credit is generally determined by the taxpayer's adjusted gross income, earned income, filing status, and the number of qualifying children, if any. If adjusted gross income is the same, taxpayers with more than one qualifying child receive the highest earned income credit, and taxpayers without a qualifying child receive the lowest earned income credit. The earned income credit reduces the tax. Eligible taxpayers can receive the earned income credit even if their tax is zero.

SCHEDULE EIC (Form 1040A or 1040) Department of the Treasury Internal Revenue Service Name(s) shown on return	Earned Income Credit Qualifying Child Information Complete and attach to Form 1040A or 1040 only if you have a qualifying child.	 OMB No. 1545-0074 2004 Attachment Sequence No. 43	Your social security number : : : : : :
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Before you begin: See the instructions for Form 1040A, lines 41a and 41b, or Form 1040, lines 65a and 65b, to make sure that (a) you can take the EIC and (b) you have a qualifying child.



- If you take the EIC even though you are not eligible, you may not be allowed to take the credit for up to 10 years. See back of schedule for details.
- It will take us longer to process your return and issue your refund if you do not fill in all lines that apply for each qualifying child.
- Be sure the child's name on line 1 and social security number (SSN) on line 2 agree with the child's social security card. Otherwise, at the time we process your return, we may reduce or disallow your EIC. If the name or SSN on the child's social security card is not correct, call the Social Security Administration at 1-800-772-1213.

Qualifying Child Information	Child 1		Child 2	
1 Child's name	First name	Last name	First name	Last name
If you have more than two qualifying children, you only have to list two to get the maximum credit.				
2 Child's SSN The child must have an SSN as defined on page 42 of the Form 1040A instructions or page 44 of the Form 1040 instructions unless the child was born and died in 2004. If your child was born and died in 2004 and did not have an SSN, enter "Died" on this line and attach a copy of the child's birth certificate.	: : : : : : : : :		: : : : : : : : :	
3 Child's year of birth <i>If born after 1985, skip lines 4a and 4b; go to line 5.</i>	Year _____ <i>If born after 1985, skip lines 4a and 4b; go to line 5.</i>		Year _____ <i>If born after 1985, skip lines 4a and 4b; go to line 5.</i>	
4 If the child was born before 1986— a Was the child under age 24 at the end of 2004 and a student? b Was the child permanently and totally disabled during any part of 2004?	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i> <i>Continue</i>		<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i> <i>Continue</i>	
5 Child's relationship to you (for example, son, daughter, grandchild, niece, nephew, foster child, etc.)				
6 Number of months child lived with you in the United States during 2004 <ul style="list-style-type: none"> • If the child lived with you for more than half of 2004 but less than 7 months, enter "7." • If the child was born or died in 2004 and your home was the child's home for the entire time he or she was alive during 2004, enter "12." 	_____ months <i>Do not enter more than 12 months.</i>		_____ months <i>Do not enter more than 12 months.</i>	



You may also be able to take the additional child tax credit if your child (a) was under age 17 at the end of 2004, (b) is claimed as your dependent on line 6c of Form 1040A or Form 1040, and (c) is a U.S. citizen or resident alien. For more details, see the instructions for line 42 of Form 1040A or line 67 of Form 1040.

Rules for Everyone

Taxpayer must have valid Social Security number.

Taxpayer must have earned income.

Taxpayer cannot use the married filing a separate return filing status.

Taxpayer generally must be U.S. citizen or resident alien all year.

Taxpayer cannot claim an exclusion for income earned in a foreign country.

Taxpayer cannot have more than \$2,650 in investment income.

Taxpayer cannot be a qualifying child of another person.

Rules for Taxpayers with a Qualifying Child

To be a qualifying child, the child must meet the following tests:

Relationship

- son, daughter, stepson, stepdaughter, or descendant
- brother, sister, stepbrother, stepsister, or descendants
- eligible foster child, a child placed with the taxpayer by an authorized agency, whom the taxpayer cares for as the taxpayer's own child

Age

- Under age 19 or
- Under age 24 and a full-time student or
- Any age if permanently and totally disabled

Residency

- Lived with taxpayer in the United States for more than half of the tax year
- The taxpayer cannot be the qualifying child of another person.
- A person can be claimed as a qualifying child on one tax return only.

Additional Rules

- To claim the credit with a qualifying child, the child must have a Social Security number.
- If more than one taxpayer has the same qualifying child, they can choose which of them will claim the credit with that child. If both actually claim the credit with that child, the IRS will apply the tiebreaker rules.

Rules for Taxpayers Without a Qualifying Child

The taxpayer

- must be at least age 25 but under age 65.
- cannot qualify as a dependent of another person.
- must have lived in the United States for more than half of the tax year.